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Retail/Consumer Goods Case Study

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Business issue

A national convenience store franchise wanted to improve its beverage sales, traditionally a very competitive market segment. There were particular business constraints, such as:

- Retail shelf space for soft drinks storage (fridges) was expensive and it was crucial that it was used efficiently
- Fridges in all stores in the state were carrying the same range of beverages but sales of different types of beverages varied from store to store
- This led to various stocking issues and potential revenue loss.

The analytics solution sought to understand the store sales drivers that would deliver increased sales and profit for the beverage category.

Solution

Using advanced analytics methods, we identified clusters of stores with similar sales patterns and recommended an optimum range of beverages for each store cluster. We analysed 150+ factors from 100+ stores, including:

- Beverage sales data for all stores
- Other categories (e.g. newspapers) sales data for all stores
- Demographic and socio-economic data for the areas where store was located
- Proximity to schools, offices and universities
- Customer survey results
- Store size
- Fridge size

Known drivers of beverage sale include:

Demographics

- Age and Percentage of Children (Age 0-14)
- Household Income
- Household Size

Store Location and characteristics

- Blue Collar/ White Collar occupation percentage in the area
- Fuel stations near major arterial roads sell more High Energy and Sugar beverages
- Percentage of customers who work or study locally (e.g. CBD) buy more Water.

Stores were grouped into six clusters:

1. CBD
2. Inner city suburbs with gentrification
3. Less affluent areas
4. Commuter fuel stations
5. Higher income night entertainment
6. Lower income night entertainment

Recommended space allocation in CBD stores (illustrative)

Recommended Share of Fridge Space
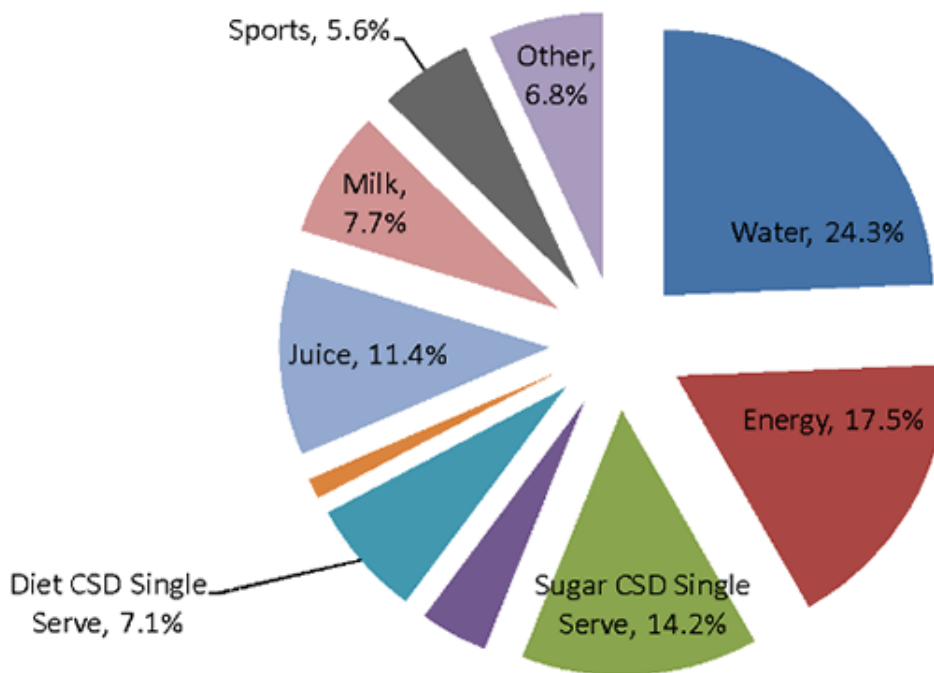
Benefits

The project delivered clear insight into the differences among the franchise stores, the key sales driver(s) in each store and which ones could specifically be used to increase sales and profit in the beverage category.

The approach was tested on retailers in one Australian state and led to a 2.3% sales increase in test vs. control stores. This was the equivalent of $1.5m increased annual sales.

Approach

The approach used the power of contemporary Data Science methods and was transparent, repeatable, scientifically valid and accurate.

Data Science, also referred to as Advanced Analytics or Predictive Analytics, is an analysis approach that provides businesses with

accurate What-If scenarios and evidence-based proactive decision-making tools.

- It is based on predictive analysis of domain-specific organisational data. If an outcome of interest to the business can be measured, then Data Science methods can determine which factors influence it and to what extent - and based on the delivered insights, suggest the call to action.
- It has been proven and pressure-tested globally across many industries. It has been a key to the success of Google and Amazon. It is used by leading banks, insurers, telcos, retailers, manufacturers, utilities and governments to gain insight into how to efficiently improve business outcomes including:
    - sales volume
    - market share
    - revenue increase
    - supply chain efficiency.